



Response to FMC:

The Delaware River is a vital and critical highway for waterborne commerce into the United States East Coast, Midwest and Canada. The Delaware River with its many ports and terminals handles many types of cargoes from raw materials to perishables and finished products. Major ports include the Philadelphia Regional Port Authority, South Jersey Port Corporation and the Diamond State Port Corporation. Canada and Mexico are in a strong position to increase cargo imports that have a final destination in the U.S.; most of this cargo will originate in the Far East with a large share of the cargo destined for the Ports of Vancouver and Prince Rupert.

Even without a concerted effort by shippers and carriers to shift container cargo to Canadian and Mexican ports for final delivery in the U.S., these two countries' imports from the Far East will increase faster than U.S. container imports. Canada (Vancouver and Prince Rupert) is more likely than Mexico to be the initial beneficiary of a shift from U.S. West Coast ports of entry, given the shorter sailing distance from Asia and the existing and relatively uncongested rail corridors serving central U.S. hubs. Border crossing capacity will need to be expanded, for both borders, as volumes increase, including both infrastructure and procedural systems. The expansion of the Panama Canal in 2015 will also slow any shift to Canadian or Mexican ports, as larger vessels from Asia will have all-water access to the U.S. Gulf and East Coast ports.

The Delaware River ports have a strong tradition of exports and imports with Canada and Mexico, and particularly with Canada.

Canada and Delaware River Trade

2010

Imported TEUS	444
Exported	1,261
Total	1,705

The Delaware River has always maintained a strong South/North trade based on the geographical nature of the Delaware River which enables the vessel to continue to travel north to its final destination ports, coupled with next day box delivery to Montreal and Toronto by truck, in addition to excellent rail service direct to many prime locations in Canada by Canadian Pacific. Top commodities between the U.S. and Canada include Meat, Paper, Gluten and Garments which make up about 70% of the total throughput.

Shippers have capitalized on rail service to Canada which can handle the heavy boxes of paper and meat that are difficult to move via truck.

The Delaware River trade with Canada is poised to grow into the future as shippers maximize the quicker transit routes via rail and truck rather than an all water service directly to Canadian ports. Next day delivery by truck is also a considerable advantage for Delaware Valley shippers, although more costly, it still should prove to be a strong driver of shipments to Canada. Ports along the Delaware River seem to be in a unique situation relative to Canada in that there are more exports than imports, given our cargo mix we are in a strong export position that's poised to grow.

Western ports have more to fear given their close proximity to the Far East with excellent rail options. The Port of Prince Rupert is North America's closest port to key Asian markets. Situated 436 miles/36 hours sailing time closer to Shanghai than Vancouver and over 1,000 miles/68 hours closer than Los Angeles, the Port's geographic location puts Chinese shippers closer to their final U.S. markets, meaning that ocean carriers can turn around faster and can benefit from faster transit times between Asian and North American markets.

Any shift to Canadian or Mexican ports for U.S.-bound container cargo is likely to be slowed once the Canal is expanded, targeted for 2015. The Canal Authority says that the Canal's share of the Northeast Asia – U.S. East Coast container traffic would fall from 38% in 2005 to 23% by 2025 if they didn't expand, while the Canal's share will increase to 49% with the planned expansion, with consequential shifts in U.S. port and intermodal rail traffic patterns.

Regardless of cargo shifts due to conscious and concerted efforts by shippers and shipping lines to Mexico or to Canada, these countries' share of total Pacific coast imports will increase.

The amount of TEUS moving from Delaware River ports to Mexico is relatively low.

Mexico and Delaware River Trade

Imported TEUS	455
Exported TEUS	23
Total	478

There are three current developments, each targeted to capture U.S.-bound container cargoes that might otherwise pass through USWC ports: Punta Colonet, Port of Manzanillo and Port of Lazaro Cardenas. Combined these facilities are building the capacity to process approximately 7 million TEUs for U.S. destinations by 2035, the annual equivalent of 20,000 intermodal trains of volume.

In conclusion, shippers and brokers in the Delaware River ports feel there are many opportunities for growth particularly into Canada. Based on our unique geographical position with a strong North/South trade traditionally, we are in a good position to grow. Perishables are one of the high value cargoes that can take advantage of the trucking and rail to Canada with the opportunity of strong back haul cargoes destined for the U.S. Mexico cargo growth will be slow until better rail infrastructure is

developed into the East Coast from Mexican intermodal hubs. But shippers are increasingly concerned with costs and if Mexico continues to develop infrastructure coupled with relatively low labor costs they will slowly provide a strong alternative to the costly U.S. ports that are more frequently disrupted by labor.

Tiffney Payton

From: Rachel Dickon
Sent: Tuesday, January 10, 2012 9:44 AM
To: Tiffney Payton
Subject: FW: Response to FMC 12-23-11.docx
Attachments: Response to FMC 12-23-11.docx

From: Secretary
Sent: Tuesday, January 10, 2012 8:11 AM
To: Karen Gregory; Rachel Dickon
Subject: FW: Response to FMC 12-23-11.docx

From: Nicholas Walsh [<mailto:nwalsh@philaport.com>]
Sent: Monday, January 09, 2012 4:35 PM
To: Secretary
Subject: Response to FMC 12-23-11.docx

To whom it may concern:

See attached response from the Philadelphia Regional Port Authority.

Kindly,

Nicholas Walsh
215-426-2600